

Difficulties in getting European funding for African SME's

Direct Research Internship [DRI]

Nova School of Business and Economics



Student: Jakob Zenz

Student ID: 30633

Internship Company: Bruni Zenz Ventures

Supervisor: Francisco Queiró

<u>1. ABSTRACT</u>	<u>3</u>
<u>2. INTRODUCTION AND LITERATURE REVIEW</u>	<u>4</u>
2.1. LITERATURE REVIEW	4
2.2. THE DEVELOPMENT IN THE LAST YEARS	5
2.3. UGANDA – AN ECONOMIC SUPER FRONTIER	7
2.4. BRUNI ZENZ VENTURES – AN OVERVIEW	7
2.5. BRUNI ZENZ VENTURES – DEVELOPMENT IMPACT	10
<u>3. DATA</u>	<u>11</u>
3.1. DATA DESCRIPTION	11
3.2. DATA COLLECTION	12
<u>4. RESULTS AND DISCUSSION</u>	<u>13</u>
4.1. LIMITATIONS	13
4.2. RESULTS	14
4.3. GENERAL INVESTOR APPETITE	14
4.4. REGION SPECIFIC INTEREST	15
4.5. COUNTRY SPECIFIC INTEREST	16
4.6. MAIN CHALLENGES	17
4.7. POLITICAL ATTACHMENT	19
4.8. MANAGEMENT SET UP	20
4.9. EASE OF INVESTMENT DECISION	21
<u>5. FUTURE RESEARCH RECOMMENDATIONS AND CONCLUSION</u>	<u>22</u>
5.1. FUTURE RESEARCH RECOMMENDATIONS	22
5.2. CONCLUSION	22
<u>6. REFERENCES</u>	<u>24</u>

1. Abstract

Small and medium enterprises (SME's) are viewed as the main economic driver of any economy. They are the backbone of the society and often the starting point of major companies and further economic developments. Especially, in the African region they are the driver for economic development, since there is still a major lack to other countries worldwide.

The main positive contributions to the economy are the creation of jobs and social security for the respective employees and additionally, the ability for employees to create purchasing power which in turn fosters the economy of the country.

Additionally, tax provision and contribution to Gross Domestic Product (GDP) are main value drivers of SME's to the countries. However, looking at Africa, besides their critical and positive role, many SME's face tremendous challenges compared to SME's that engage in other parts of the world. Notable disadvantages are power shortages, lack of capital, poor management skills and competencies, and inadequate information and corruption.

This paper aims to point out the challenges for African SME's to retrieve vital European funding and tries to achieve an understanding for both sides to mitigate the risk factors as much as possible and create a bridging understanding of both sides to work towards a more transparent cooperation.

The paper is based on qualitative evidence and current research on SME's worldwide with a major focus on Sub-Saharan African SME's specifically basing the case on Uganda and the company Bruni Zenz Ventures. The paper further aims to improve their operations and profitability to achieve much needed funding from European investors.

The paper is based on the practical experience of Bruni Zenz Ventures engaging in Mukono, Uganda, which did a fundraising round, mostly in Europe, and faced critical challenges while raising capital. This paper should additionally point out the immense potential of the African market and aims to be a guideline for the African SME's on one side and the investors on the other side to mitigate the information asymmetry to a big extend.

2. Introduction and literature review

2.1. Literature Review

The importance of African SME's is apparent when looking at the contribution numbers they achieve to the economies of their respective countries. SME's in the Sub-Saharan African region account for more than 95 percent of all firms, which shows their immense economical contribution and their importance in the African region. (Hatega, 2007; Kauffmann, 2005). The sector is particularly important due to their simple approach in response to majority of Africans needs by offering inexpensive goods and services at reasonable terms, which focus on the local needs as well as being priced affordable. In addition to that they create a source of income and employment (Kauffmann, 2006).

Additionally, SME's have the capability to reduce poverty, by achieving social security for their employees, boost countries' GDP and employ most of the citizens of a country and therefore are the starting point of achieving financial independence for the local community. (Benzing & Chu, 2012).

The definition of an SME is understood in general broadly, because they can vary a lot in size and in revenue output and it is defined very differently from country to country. Additionally, the employment variation can range from two to as many as 250 employees, which shows the broadness of the term itself (Fjose et al., 2010). Numerous sectors in different parts of the world focus on specific indicators to define SME's, which also leads then to numerous different definitions in different parts of the world. Substantial recurring once are number of employees, total number of assets, annual turnover and capital investments (Gibson & Vaart, 2008).

Looking at a global picture and defining a common, true SME is very difficult. There was one study conducted by Auciello already in 1975 and it showed that in 75 countries over 75 definitions of SME's were used. It is generally difficult to find a common definition of an SME since they can take very different forms and have different indications. The case which will be examined in this paper is the case of Bruni Zenz Ventures, which has currently (01.01.2019) 28 employees and an annual sales revenue of approximately USD 150,000.

As shown below the SME's demonstrate a substantial importance to the Sub-Saharan African economy and other African countries.

Table 1: Selected African SMEs contributions to employment and GDP

Countries	Contributions to GDP (%)	Contributions to employment (%)	References
Ethiopia	3.4%	90%	Central Statistic Agency (CSA), 2003; Gebrehiwot, 2006
Ghana	70%	49%	Ghana Bank Doing Business Report, 2013; World Bank, 2006; Abor & Quarterny, 2010;
Kenya	40-50%	80%	Mwarari & Ngugi, 2013;
Nigeria	50%	70%	Ariyo, 2011; Kolasiński, 2012;
Rwanda	20.5%	60%	Mukamuganga, 2011
South Africa	50-60%	60%	DTI, 2012; Willemse, 2010;
Tanzania	60%	20%	Echengreen & Tong, 2005; Ngasongwa, 2002
Uganda	18%	90%	Uganda Ministry of Trade, Industry and Cooperatives (MTIC), 2015
Zambia	8%	30%	Mbuta, 2007
Zimbabwe	40%	15%	Katua, 2014; Zwinoira, 2015

Table 1: SME contribution to various African economies

The focus of this research is Uganda, where the employment contribution is particularly high (i.e. 90%) and therefore it is of utmost importance to foster these companies with European financing to grow them into the backbones of the economy.

2.2. The development in the last years

Africa is the continent with the strongest growth in the last few decades. The rest of the world struggled with growing while Africa's growth averaged more than 5 per cent per annum. Africa's potential is well known, however the locals themselves do not capitalize well on the opportunities the country has. This depends on different things, however the main reason being is that the education and the expertise of the local community is still poor in most of the parts of the continent and additionally the tribe culture is something that is very strong and leads to very fragmented countries, where policies are not easy to scale and it is difficult to reach the whole country.

However, as seen in the statistics below the main accelerating growth drivers are coming from the African continent, which therefore gives hope and prospectus for the upcoming years and especially the upcoming century.

Growth accelerated in 13 of Africa's largest economies but decelerated in the six largest



SOURCE: World economic outlook, International Monetary Fund, April 2016; McKinsey Global Institute analysis.

There are still countries that struggled mainly due to factors like political instability and war. For example, South Sudan is still struggling and lacking behind due to the ongoing civil war for over 5 years that has torn the country apart and has given it a significant economic disadvantage compared to its neighboring countries.

However, the overall growth has made Africa attract a significant number of investors having direct investment especially from USA, China and India, a process expected to further boost long term economic growth and financial independence of the local community.

Small and medium enterprises (SME's) are the backbone of the economy of each respective country and are therefore the door opener to the new age of industrialization in the African country.

SME's are the driver of the world economy, both for developing and developed economies. SME's account for 99% of all business in developing countries, which underlines their importance in the developing markets (Fjose, Grunfeld & Green, 2010).

2.3. Uganda – an economic super frontier

Uganda has a very positive outlook for its economy, mainly thanks to the recovery of the private sector credit, favorable weather, tremendous increase in FDI (18.5% in 2017) and the continued robust government investment in infrastructure. Value added in the agriculture sector grew by 9.0%, year on year quarterly GDP compared to the decline of 2.0% in the first quarter of FY 2016/17 (PWC Economic Outlook, April 2018).

S&P has rated Uganda's economic outlook for 2018 as “stable”, and it affirmed the country's “B/B” long- and short-term sovereign credit rating (Financial Times, April 27th, 2017).

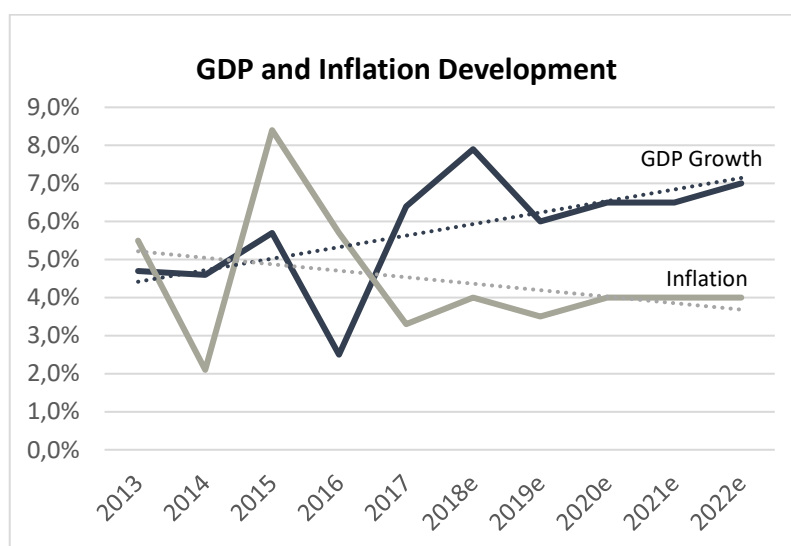


Table 3: GDP growth and inflation development in Uganda

2.4. Bruni Zenz Ventures – An overview

Bruni Zenz Ventures is a fully integrated farming company in Mukono, Uganda that combines European financial knowledge with local operational excellence in a highly fragmented

market that is lacking large-scale players. The unique business model focuses on the fragmented livestock sector with an additional value –add of further meat processing, which is following European hygiene standards and therefore operates in an almost untapped market.

Bruni Zenz Ventures leased a 112 acres farm from partnering NGO Vision for Africa. Patrick Bruni developed the farm with substantial investment over the last 7 years. First investment of the newly formed company was used to buy a test batch of bulls, invest in the infrastructure on the farm and stable systems. Bruni Zenz bought 25 acres of land close to the leased farm, which has the sole purpose of delivering feeds for the animals.

Bruni Zenz Ventures is financed with founders- and private investors' money. The initial investment was done by the two founders. Both took an equal investment in the company; plus, additional money was invested in the course of 2018. Funds were used to set up the company, buy land and bulls and start initial investments and have enough working capital. The following investments were undertaken in the first year of business:

- Purchase of 120 bulls after experimenting with different breeds, with a focus on Friesians and Jersey cattle, due to their nature of sickness resistance and their ability to grow fast and heavy
- Development of fully integrated stable systems, which have a capacity of 120 bulls at the current state and will be developed further
- Feeding plants of 20 acres of elephant grass, which is a main source of bull feeding in Uganda and 12 acres of maize to retrieve not only maize but also to mill maize brand from it which is the local maize flour in Uganda and a well-liked carbohydrate source for the bulls
- Pig stables and purchase of 50 pigs, with additional feeding plantations and a water system for the pigs, plus an additional house for the manager of the pig area and 2 workers
- Chicken house (3,360 chicken first house) and development of the 2nd chicken house for 10,080 chicken with free ranging chicken and additional stable possibility for keeping the chicken on the ground floor. Additionally, development of houses for the workers on the chicken area and a fully equipped house for the farm manager

- Installment of a waterline that ranges through all the 112 acres, infrastructure investments in roads, storing possibilities and scaling up of the workers in the different business segments
- 16 acres of vegetable garden with cabbage, eggplants and green pepper
- Maize mill development to be able to process maize inhouse and supply bulls with superior food products

The next investments which will be undertaken in the course of 2019 are the following:

- Development of stable system for 350 bulls
- 2nd chicken house for 10,040 chicken and additional development of 3 more of these houses for 30,120 chicken with free-ranging and ground floor keeping systems
- Increase of pig stables to an overall total capacity of 350 pigs
- Lease of the meat processing facility
- Electricity installment on the farm
- Full development of the roads
- Getting the purchased land ready for feed planting (maize and elephant grass)
- Building of water tower to directly supply a waterline to the bull stables

The business model of Bruni Zenz Ventures focuses on the fragmented livestock sector to capitalize on the full enhancement of the value chain.

- Focus is on bulls with specialized breeds that are disease resistant and grow fast (Jersey cattle and Friesians). Currently, 100 bulls on the farm and stable systems for 350 more are in development.
- Poultry farming with the capacity of over 35,000 chickens. The first one is currently being finished and will hold 5,300 chicken.
- Development of a piggery farm with special stable systems to minimize disease risks. Pigs are kept on a complete different part to not get in touch with the other animals and therefore to comply with halal law.
- Additionally, there are maize farming, maize processing, fruit portfolio, aquaculture, brick manufacturing and the new add-on expansion of meat processing namely, Sausage King.

Bruni Zenz Ventures aims to maximize the synergies of the different operations, while focusing solely on projects that can be ran stand-alone if needed.

Uganda's population is increasing dramatically, which in turn puts huge pressure on the food industry to be able to serve such a growing nation. Bruni Zenz Ventures is ideally located within a country that has ideological conditions for farming. The location of the farm is a competitive advantage due to the closeness to the capital, Kampala while being able to still farm on a large scale. The company aims to increase investments in automation to become a modern technology driven farming venture that can operate efficiently on a large scale.

The fundraising in this example is mainly used to invest in scaling up and adding value to the current operations, which will increase the margins and revenue tremendously. An efficient cost structure of supply chain ownership and a unique business model combining African know-how and Western financial and management education differentiates Bruni Zenz Ventures from its competitors.

The company is poised to become the market leader in the meat industry in a highly growing country with an increasing middle-class. The main value driver for Bruni Zenz Ventures is the beef industry, which is a fragmented industry with a lot of small players lacking large scale operations.

2.5. Bruni Zenz Ventures – Development impact

African SME's are not only interesting for foreign investors from a purely financial standpoint but have usually also a social component. Given their nature of importance to the development of a country this part is usually also important to investors, since next to financial prospects and growth opportunities they can enhance the life of the local community and additionally change and foster developing economies.

Bruni Zenz Ventures tries to empower the local community by building a trainee facility with an Austrian expert to foster local development and improve the living situation of the population. The add-on expansion, Sausage King, should foster local empowerment, due to the experience of the main production manager, it is empowering the local community and educates in job segments that are substantial to the economy and will keep growing in importance.

Sausage King and Bruni Zenz Ventures aim to demonstrate the potential of farming and processing in an effective and cost reduced way to act as an example for local businesses and small hold farmers. The farm should be a template, that can be copied by small scale, local farmers to see that with little resources, big outputs can be achieved.

The company sets its focus on full transparency and trust by following the highest available accounting standards and continuously updating its books, full transparency is ensured. It prides itself in trust and reliability among all stakeholders.

Bruni Zenz Ventures can additionally capitalize on an experienced team, with European know-how which had a substantial Africa exposure and knows the local pitfalls.

Bruni Zenz Ventures builds on a long-lasting supplier relationship with the biggest Ugandan NGO – Vision for Africa.

The fact that Bruni Zenz Ventures and Sausage King are privately financed by the founders and private investors, demonstrating the long-term strategic value and believe of the founders in the opportunities and long-term viability of the company and the economic feasibility of the venture itself.

Sausage King aims to become the largest high-quality meat processing company in Uganda with a fully integrated and self-sufficient farming operation, because Uganda's population is to double within the next 15 years. Sausage King is well positioned to take advantage of the evolving demographics. There is strong demand for high quality and branded meat products but virtually no supply, highly fragmented competition lacking scale, with additional high input costs due to non-integration of other companies.

3. Data

3.1. Data description

On general basis, Bruni Zenz Ventures is in the process of fundraising to further grow the agricultural business, with a focus on the meat sector and a further add-on purchase of a meat processing facility.

The data was collected in a form of a questionnaire and sent to investors. The questionnaire has the form of multiple-choice questions and additionally binary yes and no answer questions.

The findings are described in a qualitative way, meaning the answer with the most supporting votes is likely to have a strong support for a significance in the fundraising process.

Qualitative data should show the direction in which the hesitation comes from the European investors and should give a guideline for the African companies to work on specific challenges. The answers of the questionnaire were chosen in a way that the management team of Bruni Zenz Ventures made certain experiences that they acknowledged during the fundraising phase, which should now be analyzed in further detail to foster not only the fundraising success of Bruni Zenz Ventures but to also give guidance to other SME companies.

Most of the answers came up during the Q&A with the investors and were therefore used as the basis of the questionnaire. Other answer possibilities were taken from general discussions about the fundraising issues and challenges of African SME's.

3.2. Data collection

A questionnaire was designed to fully understand the gaps between the financing needs of the African companies and the appetite of European investors. The questionnaire should evaluate the investor appetite and consequently point at the weak points of the ecosystem of the African companies to better work on the problems and to close the gap between the financing needs and the investor appetite. The 54 respondents are divided into three categories.

Firstly, they are Austrian and German individuals which have already undertaken private investments and are professionals.

Secondly, there are Austrian companies who already undertook a venture investment either due to expansion or due to hedging reasons.

Thirdly, four middle eastern investors were interviewed to see if the mindset of Europe and the middle eastern mentality varies strongly or if it is similar in the regards of frontier investments.

3.3. Data Prediction

It is assumed that the investor appetite in general is given for the African continent. It is believed due to personal experience that the biggest challenge and funding threat is poor

management and corruption, which was brought up a lot during the fundraising process of Bruni Zenz Ventures. The qualitative research of this paper should outline the basis for further quantitative research to test the significance of the variables found out in this paper.

Additionally, the transparency is assumed to be a big challenge for the European investors, since the accounting standards in Europe are quite clear and the books of a company give the potential investor a comprehensive picture to make a justified judgement call if the investment has a strong potential or not.

The big difference between the European investors in the standards and quality of accounting are assumed to be a challenge and are subject to further research and practical experience during the fundraising process if the Bruni Zenz Ventures.

4. Results and Discussion

4.1. Limitations

Although the research was conducted carefully, several limitations can be identified. Firstly, only data in connection with Bruni Zenz Ventures was used. This in turn means that solely challenges and outcomes with the fundraising of Bruni Zenz Ventures are considered.

Secondly, the answers subject to the authors experience and therefore might not be comprehensive.

Lastly, this area of research is not yet very well discovered and therefore it must be viewed as a guideline and a starting point for further research. It will be important to build on that research with the sample of other companies that are non-related with Bruni Zenz Ventures, but also act in different industries and have different economic parameters.

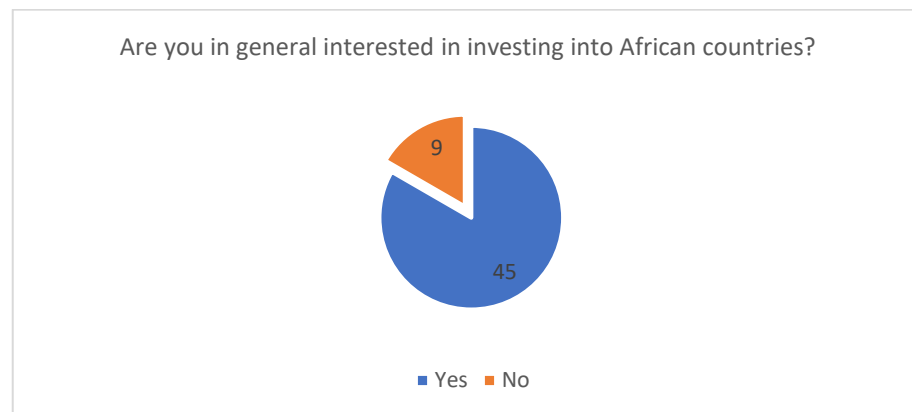
The research must be viewed as a qualitative case-study, which should give a clear indication of the important challenges that European investors and African SME's face and how to reduce the information asymmetry between them.

4.2. Results

The results are shown below and confirmed the expectations and experiences. The investor appetite was confirmed and the main challenge is viewed to be corruption.

The results indicate that working on the challenges together between African companies and European investors can close the gap of the information asymmetry and therefore can lead to a substantial investment environment and a lasting and changing development impact within the African continent.

4.3. General investor appetite

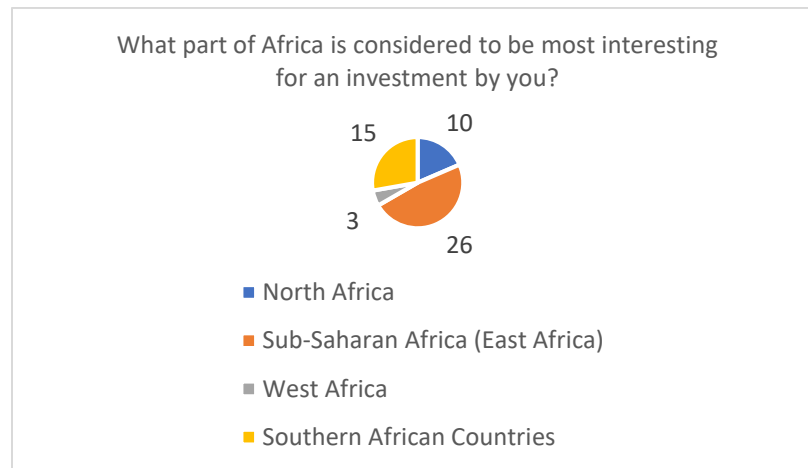


It can be observed that the investor appetite is strongly given for Africa. The low interest environment and the difficulty of finding interesting investing opportunities in Europe drives more investors in the direction of emerging and frontier markets. The high yield opportunities often offset the high-risk environment and the difficulties under which the investments take place. Especially, the Middle-Eastern investors showed a strong interest in the African continent, which could be also a demographic reason.

The investment environment in the Middle-East is closer to Africa due to the nature of the type of doing business since corruption and in-transparency do play a bigger role in the Middle-East than in Europe. Another factor could be that the historical problems are similar in both regions. Both regions where a hot spot of wars and most of the economies in the respective countries are crippled either by lengthy wars or by fighting's of different rebel groups.

The nature of the similarity between these countries could be an additional explanation why the Middle-Eastern investors had a special appetite for African frontier investments.

4.4. Region specific interest

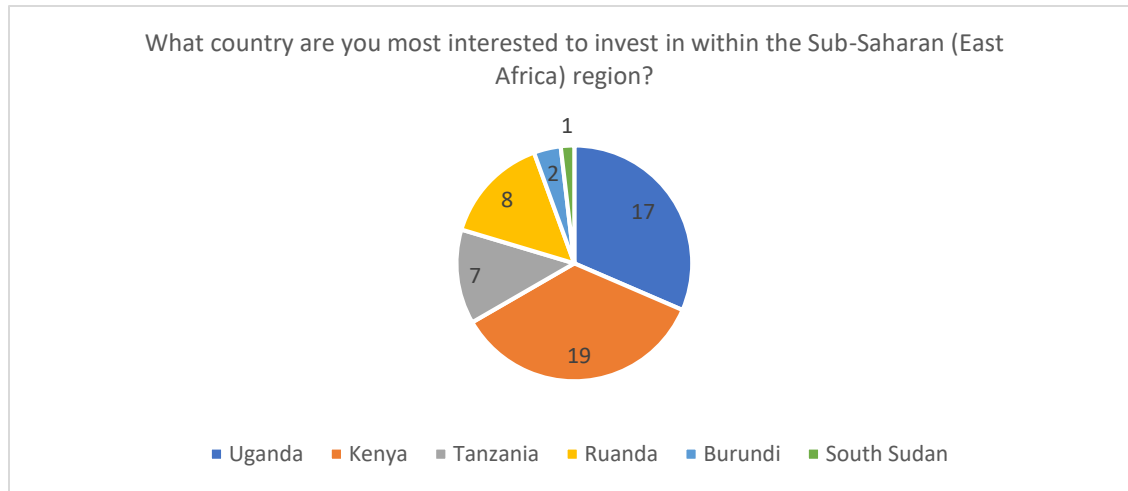


The survey shows the strong investor interest for the Sub-Saharan (East African) part of the African continent, which fits also in the general picture and data delivered about the strong growth prospective in this region.

The Sub-Saharan (East African) part of Africa is viewed as the power horse and motor of the upcoming years and the backbone of the African continent. It is shown that the major growth countries are within the Sub-Saharan (East African) region (e.g. Ethiopia, Uganda and Burundi). Political stability and major investments in the infrastructures of the countries lead to the strength of the economies. Another major reason are the investments that were undertaken by major global economies like China and India, which especially fostered the infrastructure in the Sub-Saharan (East African) region.

The closeness of these countries like India and China and the African continent should also be a wake-up call for the European governments to set their focus stronger on Africa to not lose grip, otherwise they will be left behind and lose the opportunity to work together with strong and developing markets.

4.5. Country specific interest



It can be shown the strongest interest of the investors is in well developed country, compared to the others, of the region – Kenya (Global Economic Prospects: Sub-Saharan Africa: A Fragile Recovery, World Bank). The reason behind that is assumed to be the stage of development, which is high in Kenya compared to e.g. South Sudan.

The reason behind it is mainly in the difference of the history between the countries. In the last centuries South Sudan has seen civil wars which crippled the economy, compared to Kenya having political stability and economic growth.

Kenya has seen very positive and promising development in the last years and is known for its political stability and increasing political transparency (Kenya Financial Sector Stability Report, 2018). The second most chosen country is Uganda, which has a similar story as Kenya but lacks a bit behind in terms of development.

One tremendous benefit of Kenya compared to Uganda is the connection to the port and therefore the ideally located position between Asia and Africa. Mombasa can therefore act as Kenya's gateway to the African countries that do not have sea access, like Uganda which in turn increase the need and importance as a business hub. It is assumed that this is a reason why Kenya is favored by investors over Uganda, but it must be justified in a more detailed research. The landlocking of Uganda has been also a difficulty in the process of the development of Bruni Zenz Ventures since the trouble of importing goods and exporting goods, is mirrored in a very expensive supply chain

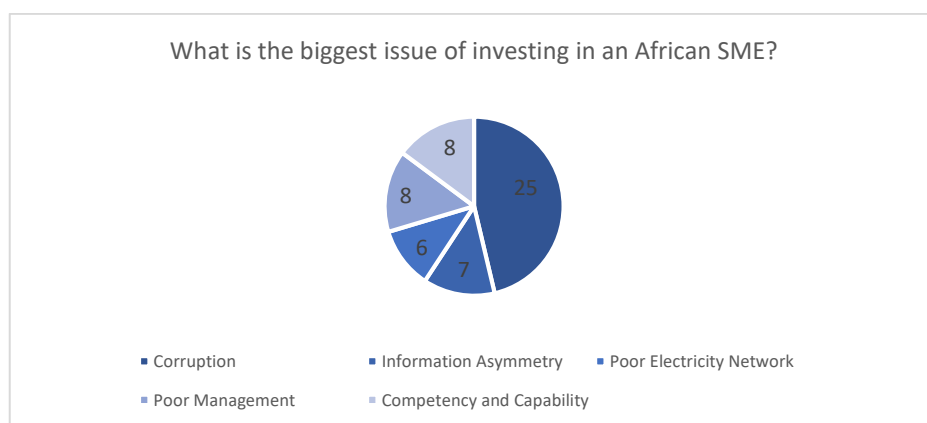
that always goes through the port of Mombasa and therefore shows the economic value of such a sea port in terms of the costs of doing business in a landlocked country.

Uganda has a similar story compared to Kenya and can especially pride itself with tremendous economic growth and political stability over the last 30 years. A lot of that can be attributed to the presidency of Yoweri Museveni, who's political party (NRM) brought economic growth to a war-torn country, by focusing on the infrastructure development in the country, which eases doing business.

Especially, the closeness to China was a substantial factor in the development of roads and infrastructure throughout the country. There is no doubt that these investments do not come for free and there are disagreeing opinions on whether buying debt of a country like Uganda and helping to develop the infrastructure and owning all construction contracts might be a short-term solution since the long-term profit outweighs the short term benefit and countries like China are doing a modern form of colonialism, however this is a research by itself and has to be determined in a separate paper.

From a business standpoint of Bruni Zenz Ventures the investment in infrastructure is the most important part of the economic development and must be fostered further.

4.6. Main challenges



The biggest issue that was identified in the research was corruption. As expected, did most of the respondents initiate the main challenge with the corruption and therefore the inefficiency of

the use of resources. It is a major problem especially in the African region since a lot of stakeholders are involved during the process, which in turn means that a lot of people along the value chain must be involved. If these people are acting non-ethical or corrupt the business success is in danger. Since it is then not possible to plan and execute the business accordingly, investments are not being undertaken.

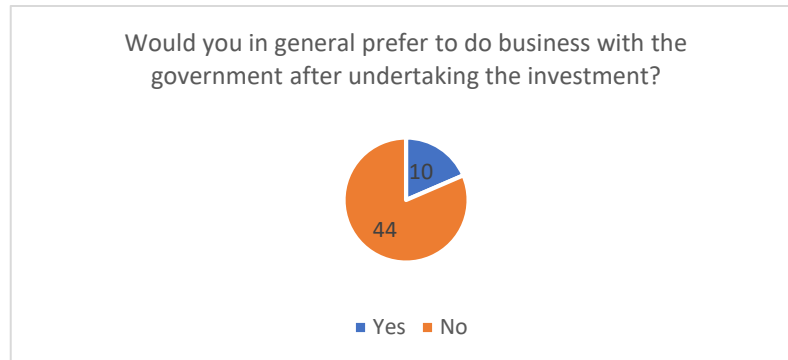
The transparency of the stakeholders in developing countries like Uganda is very low. Therefore, it is easy for people to take bribes and consider it as a normal way of making money. It is of utmost importance to work against the corruption as much as possible to create a transparent and efficient environment for businesses and the respective investors.

Corruption is harmful to businesses in many ways but mostly it means that the business plan itself cannot be planned accurately at all since the cost of corruption is very difficult to price in. It can be a lengthy process and can lead to tremendous costs if corruption is encountered and cannot be dealt with, since the resources planned for cannot be used accordingly.

A solution to this major challenge can only be achieved with the help of the government and with their active fights against corruption. In Uganda the government started an initiative where business owners can report government officials that initiate a bribery in any form (Transparency International, 17.11.2018).

Another issue with corruption stems from a moral perspective. Either the business and its management go along with it and bribes the necessary officials, or it does not play along, which means it can find itself in endless troubles. The problem is that the government officials in these countries involved in the business dealings can make or break a business success and it is therefore essential for a company to have a well thought through plan on how to deal with corruption.

4.7. Political attachment



The dealing with governments in developing countries is a broadly discussed issue. There are different opinions on how to best deal with country officials. The research conducted shows that the big majority of the investors asked are against doing business with public officials.

This has several reasons. Firstly, the problem is that once a business engages with government officials it is linked to the party behind it. That means it associates and, in a way, represents the values that these politicians and therefore the party stands for. This can be a tough situation especially, when as a business one should be neutral and do not engage necessarily in political encounters.

Secondly, the issue with linking up with certain political parties is that if the government changes the business can be in danger. It does not necessarily have then to do something with the success of the business, but mainly with the party one is associated with.

Lastly, it is understandable that the survey shows the results towards not doing business with governmental parties and linking up with certain political parties, since a business should be determined by the quality it delivers in its respective industry. However, the closeness between business and politics in developing countries is closer and the boundary therefore blurrier, than in developed economies.

4.8. Management set up



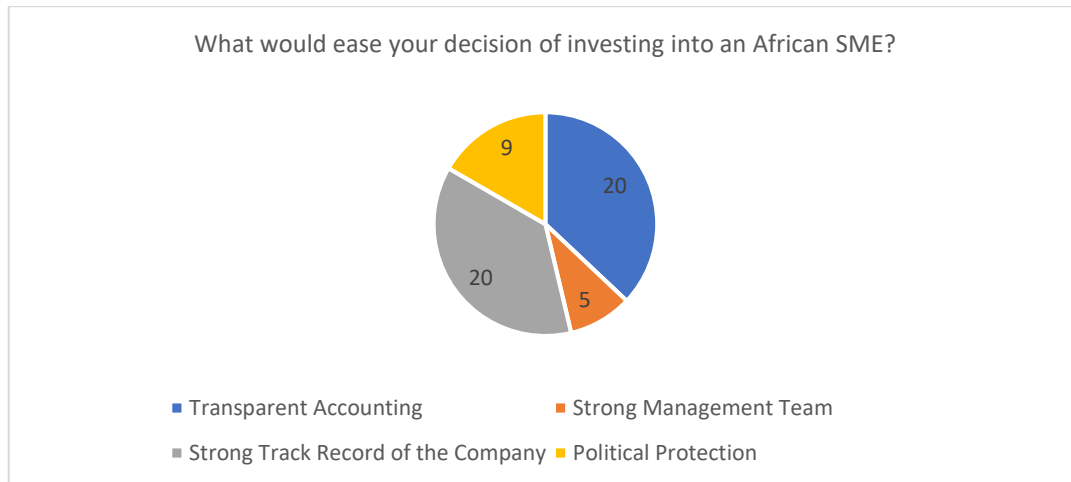
European management is perceived as a risk mitigating factor by the surveyed group of investors. It is not surprising that especially the European investors leaned towards a European management.

In the practical example of Bruni Zenz Ventures the mix in the management team of foreign and local is perceived as being optimal, since the combination of European know-how and the operational local excellency in a mixture is viewed ideal.

Pitfalls of a pure European management can be that it is not perceived well by the locals and therefore can lead to certain challenges. The answers are subject to further research to deeper explore the optimal management structure perceived by investors.

The main factor viewed by Bruni Zenz Ventures management team and the main topic in the discussions with investors is the education of the locals. It is essential in being able to have a successful management team that is perceived well by the locals. The most important thing is that the foreigners and the locals work well together and leverage on each other's expertise. There are always local challenges which can only be overcome by locals and there are challenges where the European expertise helps to foster the growth of a company. Therefore, it was seen vital by most of the investors in the personal talks that there is a combination of local and European management team to capitalize on each other's strengths and being perceived as a positive combination to enhance the value of the surrounding community.

4.9. Ease of investment decision



Transparency is shown as the biggest ease for investors. The takeaway is clearly to create a transparent environment, which ranges from clear bookkeeping to having accounts audited by accredited companies and therefore creating a trusted ecosystem where investors can follow clearly the uses of funds.

The strong track record of the company is an equally important risk mitigation since valuations are usually very difficult to determine. African SME's tend to not have a record keeping and therefore a valuation cannot be retrieved from. It is important to be able to quantify the numbers to prove the value and the strengths of the company to the investors on paper.

A surprising outcome was that the importance of the strength of the management team is perceived to be low. This would be subject to further research since in bilateral talks and Q&A's with investors the management team was perceived as a substantial and highly important factor.

5. Future Research Recommendations and Conclusion

5.1. Future Research Recommendations

It is important to continue the research in more depth and to quantify the significance of the factors identified. This research must be viewed as the basis for a statistical hypothesis testing to see if the factors considered are significant and maybe correlate with each other.

There are several questions to continue the research on. In the case of corruption, it is important to see the view of investors on how to deal with it from a moral standpoint. It will be interesting to see if investors rather engage in corruption and having the business secured or stand firm on moral grounds and therefore risk the economic success of the business.

Another interesting research recommendation relates to the engagement of politicians within the business. The research conducted shows a clear sign towards not doing business with politicians, but it must be further justified if there are certain criteria's that would make the investors engage in business with politicians or certain industries where it is viewed to be essential.

Lastly, the most important further research is to quantify the qualitative results conducted. The next steps are to verify the statistical significance of the variables in place and build a statistical model to further extend and explore this research field.

5.2. Conclusion

It can be concluded that the most important point is to work on a transparent environment, which puts emphasize on the efficient use of funds received. Corruption is still viewed as the biggest problem in the developing countries and therefore must be tackled in a joint effort of the private business sector and the government. It is necessary that all the governments in this region make the biggest effort possible to put systems in place, that monitor their politicians and ensure the best possible environments for growing economies.

From a macroeconomic perspective the countries with the least growth had the biggest troubles with wars, therefore political stability is the first step towards growth and prosperity. However, the line between political stability and military regime can get blurry.

The government is the only stakeholder in these countries who can change the ecosystem and the perception of the SME's. Since SME's are essential and the backbone of every developing country it is essential for the governments to do everything in their power to create an environment in which the SME's can thrive and additionally can retrieve much needed foreign funding.

It is essential to view Africa as it is, the continent that will hold the most people, with the least economic development. This can be a catastrophe or a huge opportunity to develop this part of the world. It will need the joint-effort of the global political leaders together with entrepreneurs and businesses to develop this acceleratingly growing region and to serve the needs of this continent.

The people can only prosper if the economic environment grows and if they can make a living within their countries and contribute to their own economy in a positive way.

If the creation of employment within these countries cannot be achieved, it would have terrible effects on the other parts of the world. Especially Europe would be the closest country to flee to in case of catastrophes on the African continent. All these reasons lead to the conclusion of the importance of creating an ecosystem that is viable and interesting for European and global investors to support local SME's which are creating employment and therefore in turn are contributing to the prosperity of these countries. It is therefore in every country's greatest interest to mitigate the challenges for SME's to retrieve funding as much as possible and to work on a transparent and corruption free ecosystem.

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